

VILLAGE OF ARDENCROFT
AGREED-UPON PROCEDURES ON MUNICIPAL GRANTS
FOR THE YEAR ENDED JUNE 30, 2009



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Village of Ardencroft
1500 Upsan Downs
Ardencroft, Delaware

We have performed the procedures enumerated below, which were agreed to by the Village of Ardencroft, State of Delaware's Office of Auditor of Accounts, Department of Safety and Homeland Security, and the Office of the State Treasurer, solely to assist the specified parties with respect to determining the Village's compliance with Delaware's applicable laws, regulations, financial reporting and the effectiveness of the internal control structure related to the municipal grant funds received for the year ended June 30, 2009. The Village of Ardencroft's management is responsible for compliance with those requirements.

This agreed-upon procedures attestation engagement was performed in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings were as follows:

1. Complete the State of Delaware Office of Auditor of Accounts municipal grants agreed-upon procedures program to determine the Village of Ardencroft's compliance with applicable laws, regulations and financial reports related to municipal grant funds received for the year ended June 30, 2009 and detail any instances of noncompliance.

The Village of Ardencroft received municipal grant funds under the following programs for the year ended June 30, 2009:

Municipal Street Aid

FINDING NO. 09-1 - Internal Control Weakness

Criteria

The State of Delaware *Budget and Accounting Manual* Chapter II requires that the responsibility for a transaction or activity be divided among different parties so that no one employee has complete control over the processing of transactions. Segregation of duties reduces the risk that one person could perpetrate and/or conceal errors in the normal course of his/her duties. While ideal separation of duties is not always possible, an organization should strive to separate key functions and provide for increased oversight for the processing of transactions.

Condition

The Village of Ardencroft's Treasurer controls all the cash functions for the municipal street aid funds.

Cause

The Village of Ardencroft lacks the personnel necessary to provide an ideal separation of duties.

Effect

The Village of Ardencroft's failure to properly segregate duties increases the risk that one person could perpetrate and/or conceal errors in the normal course of his/her duties.

Recommendation

The Village of Ardencroft should have the bank reconciliation performed by a third party to ensure segregation of duties.

Auditee Response

We currently only have one signature on the account but the expenditures are given in a report at the bi-monthly Town Meeting in a handout sheet. This meeting includes individuals from the Public Works Committee and residents who would have knowledge if these are for services rendered and the Public Works Committee would have knowledge if amounts and to whom are accurate. Any irregularities would be exposed at these meetings.

To come to complete technical compliance, the Town Meeting voted to add the Finance Committee as signatories so that one of them (whoever is available soonest) to co-sign with the Village Treasurer.

FINDING NO. 09-2 - Excess Funds Not Guaranteed

Criteria

Per Title 30, Delaware Code, Section 5165(c), "Pending expenditure of funds received pursuant to § 5163 of this title, a municipality may make short-term investments of such funds in United States government securities or may deposit same in any bank or savings and loan association interest-bearing accounts or certificates guaranteed by any agency of the United States government."

Condition

The Village of Ardencroft did not maintain excess funds in securities guaranteed by the United States government.

Cause

The Village of Ardencroft intentionally invests in unsecured accounts due to the greater return on investment when compared to secured accounts.

Effect

The Village of Ardencroft's failure to invest in securities guaranteed by the United States government could result in the loss of grant funding.

Recommendation

The Village of Ardencroft should only invest idle Municipal Street Aid Funds in those securities that are guaranteed by the United States government in accordance with Title 30, Delaware Code, Section 5165(b)(2).

Auditee Response

Fidelity has been the bank used to get the better interest to help stretch funds. The Directors of Ardencroft do have funds available if any losses should occur due to banking issues. The January Town Meeting voted to take the interest loss and move the account to a guaranteed bank.

2. Address the status of any findings and recommendations disclosed in previous reports.

FINDING NO. 06-1 During completion of the Village of Ardencroft's program checklist for the Municipal Street Aid grant, it was noted that their cash internal control structure over Municipal Street Aid has limited segregation of duties due to lack of personnel. The Treasurer controls all the cash functions for the Village, which is a reportable internal control weakness that does not properly maintain and safeguard Municipal Street Aid funds. Segregation of duties reduces the risk that one person could perpetrate and/or conceal errors in the normal course of his/her duties.

CURRENT YEAR STATUS See finding 09-1.

FINDING NO. 06-2 During completion of the Village of Ardencroft's program checklist for the Municipal Street Aid grant, the Village was unable to locate the deposit slip for the Municipal Street Aid grant deposit, so we were not able to determine whether funds were deposited timely into the bank account. Failure to maintain proper documentation for grant transactions could result in the loss of funding.

CURRENT YEAR STATUS Deposit slip was reviewed and deposit was timely.

FINDING NO. 06-3 During completion of the Village of Ardencroft's program checklist for the Municipal Street Aid grant, it was noted that their annual expenditure report was not accurately prepared nor submitted timely to the Office of the State Treasurer for the fiscal year ended June 30, 2006. The Village was required to submit an annual report to the Office of the State Treasurer on or before October 1, 2006 [30 Del. C. §5165(b)(2)]. The beginning balance was understated \$1,710.61 and the ending balance was understated by \$1,564.24 on the annual expenditure report. In addition, the total interest earned on the funds was overstated by \$146.37. Failure to timely submit accurate financial reports could result in delay or loss of grant funding.

CURRENT YEAR STATUS Annual report was accurately prepared.

FINDING NO. 06-4 During completion of the Village of Ardencroft's program checklist for the Municipal Street Aid grant, it was noted that excess Municipal Street Aid funds maintained by the Village were not all invested in securities guaranteed by the United States as required by Delaware Code [30 Del. C. §5165(c)]. The investment of these funds in other than United States securities exposes the Municipal Street Aid funds to the potential risk of loss.

CURRENT YEAR STATUS See finding 09-2.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with specified laws. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Village of Ardencroft's management and council members, the State of Delaware's Office of Auditor of Accounts, Department of Safety and Homeland Security, and the Office of the State Treasurer and should not be used by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.



Wilmington, Delaware
January 4, 2010